

- Exports slip in March; manufacturing shipments flat
- New housing prices continue to climb
- Real after-tax family income down 2.2% in 2003

## The Economy

- **Exports of BC products slipped 2.5% (seasonally adjusted) in March.** Forest product exports, accounting for about 44% of the total, fell 2.1%, but shipments of energy (+0.6%) and machinery, equipment & automobiles (+0.8%) inched up. Exports to the US slipped 0.5%, largely due to a decline in the value of forest product shipments (-2.4%). Shipments to other destinations slumped 6.2%, reflecting downturns across all major commodities, especially energy products (-10.7%). Canadian exports edged down 0.4%. *Data Source: Statistics Canada & BC Stats*

- **Shipments of goods by British Columbia manufacturers were virtually unchanged (-0.1%, seasonally adjusted) in March, following a modest gain in February (+0.9%).** BC's two biggest manufacturing industries gave mixed signals, as paper shipments jumped a solid 7.5%, while wood shipments fell 2.6%. The drop in wood manufacturing may be partly price driven, as BC's lumber prices are significantly lower than they were last year.

Driven by paper shipments, the non-durables total inched up 0.6% in March, even though the food industry – the third largest manufacturing sector – posted its first decrease (-1.5%) of 2005.

On the durable side, machinery (+11.3%) and transportation equipment (+11.3%) producers saw the most noticeable gains, although they were not big enough to offset the downturn in the wood industry. *Data Source: Statistics Canada*

- **Across the country, manufacturing shipments dropped 2.4% to \$49.7 billion in March, partly due to the weak transportation equipment sector.** With no expectation of relief from record-breaking crude oil prices, shipments of

motor vehicles and parts experienced a sharp drop (-11.4%) across the country.

Six out of 10 provinces reported lower shipments in March, with Nova Scotia (-4.8%), Ontario (-4.0%), and Quebec (-2.4%) seeing the biggest declines. Among the provinces where manufacturing output increased, Newfoundland (+9.6%) and New Brunswick (+9.1%) showed the strongest growth.

*Data Source: Statistics Canada*

- **Sales of new motor vehicles in BC cooled off, falling 1.4% (seasonally adjusted) in March, after strong growth in February (+10.2%).** Both North American built passenger cars (-2.0%) and overseas-manufactured cars (-8.2%) dropped. Sales slipped for overseas trucks

(-0.7%, including minivans and SUVs), while North American manufactured trucks advanced marginally (+0.6%) in March.

Nationally, new motor vehicles sales slowed (-5.9%), reflecting weakness in Ontario (-9.6%), Quebec (-2.8%) and parts of Atlantic Canada. Sales were up in Newfoundland (+1.4%) and Saskatchewan (+1.2%), but declined in all the other provinces. *Data Source: Statistics Canada & BC Stats*

## First Quarter in Review

- **The value of BC's exports to the US and other destinations increased 1.7% (seasonally adjusted) during the first quarter.** Exports to the US rose 3.6% as shipments of all major commodities except agriculture and fish products (-6.7%) were up. The forest sector (+6.2%) rebounded from the last quarter of 2004 (-10.5%). At the same time, high prices continued to boost the value of energy shipments (+5.9%) to the US, but at a substantially lower rate than in

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the fourth quarter of 2004, when energy product exports increased 13.3%.

On the other hand, sales to overseas destinations (-1.7%) were not as robust, edging down for a third consecutive quarter. Forest product exports to overseas destinations fell 10.0%. This was partly offset by strong gains in exports of industrial & consumer (+15.4%) and energy (+9.1%) products *Data Source: Statistics Canada & BC Stats*

- **BC manufacturing shipments edged down 0.8% (seasonally adjusted) in the first quarter, posting the second consecutive quarterly loss.** This was a reflection of weakness in the dominant forest products sector. Wood shipments slumped 4.3%, while paper manufacturers shipped less (-1.6%) for a third consecutive quarter.

Across Canada, first quarter shipments were up 0.9%, and all provinces except BC showed increases. The growth ranged from +4.3% in Newfoundland and +4.2% in Saskatchewan to +0.5% in Ontario and Nova Scotia.

*Data Source: Statistics Canada*

### Housing

- **Victoria's housing market continued to boom in March, with new housing prices up 7.1% from the same month of 2004.** New housing prices in Victoria have been increasing faster than the national average since the middle of 2002. Both land (+6.7%) and building (+7.7%) prices in the capital city were sharply higher than in March 2004. In Vancouver, new housing prices rose a comparatively modest 3.1%. House prices in Vancouver (+3.9%) were the driving force behind the increase, while land prices were virtually unchanged (+0.5%).

New housing prices rose in every metropolitan area of the country. St. Catharines-Niagara (+9.2%) had the highest year-over-year increase in average prices, followed by Winnipeg (+9.0%).

*Data Source: Statistics Canada*

### Family Income

- **BC's average after-tax family (two or more persons) income fell 2.2% (after adjusting for inflation) to \$58,200 in 2003, the biggest de-**

**cline in a decade.** This was mainly due to a drop (-2.8%) in market earnings (income before taxes and transfers). Average total taxes edged down (-4.3%) to \$11,200 and government transfers to families (\$7,700) did not change.

Across Canada, after-tax family income edged down slightly (-0.8%) to \$59,900. Average family income in Ontario (\$66,500) decreased 0.9%, but was still the highest among the provinces, followed by Alberta (\$64,900).

The low-income rate among two-parent families in BC rose to 10.8% in 2003, up from 10.0% in 2002. The national average was 7.7%. The low-income rate among families in BC has been higher than the Canadian average for five consecutive years since 1998.

*Data Source: SC, Catalogue no. 75-202-XIE*

- **BC families paid \$11,200, on average, in income tax in 2003, \$500 less than in 2002.** The effective tax rate (taxes paid as a percent of total family income) was 16.2%. Only Prince Edward Island (15.3%) and Newfoundland & Labrador (16.0%) had lower effective tax rates. The national average was 17.6%.

*Data Source: SC, Catalogue no. 75-202-XIE*

### Performing Arts

- **Sixty-three BC performing arts companies (theatre, music, dance, and opera) held 5,195 performances in 2003.** Over 1.5 million people were attracted to those performances. Nationally, performing arts companies generated \$1.2 billion in operating revenues, up 16.7% from 2002.

*Data Source: Statistics Canada*

### The Nation

- **Canada's merchandise trade surplus rose to over \$4.2 billion (seasonally adjusted) in March.** Exports inched up 0.2%, while imports held their ground (0.0%). Both imports (-1.0%) and exports (-0.6%) to the US slipped. Soaring energy prices boosted exports of energy products up 10.6% to \$6.2 billion, while slowing down both imports (-4.0%) and exports (-7.6%) of automotive products.

*Data Source: Statistics Canada*

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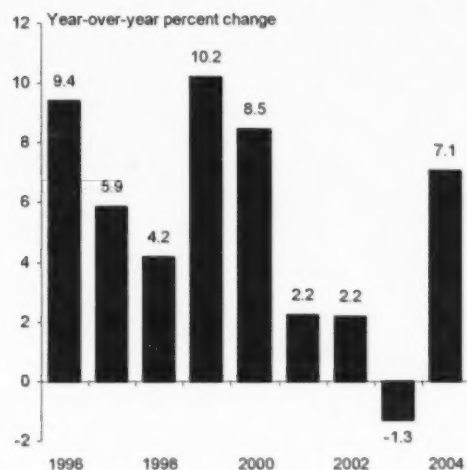
## BC's tourism sector in 2004

BC's tourism sector rebounded in 2004 with most indicators showing solid growth. Room revenues, visitor entries, passenger traffic, and other indicators recovered most of the ground lost in 2003, when various external factors plagued the tourism industry.

### Revenues posted strong growth in 2004

Room revenues at hotels, motels and other establishments in British Columbia increased 7.1% to reach close to \$1.6 billion in 2004. Although this was below the rates at which revenues had been expanding at the turn of the twenty first century, the rebound highlights the strength of BC's tourism economy.

#### Strong growth in room revenues in BC



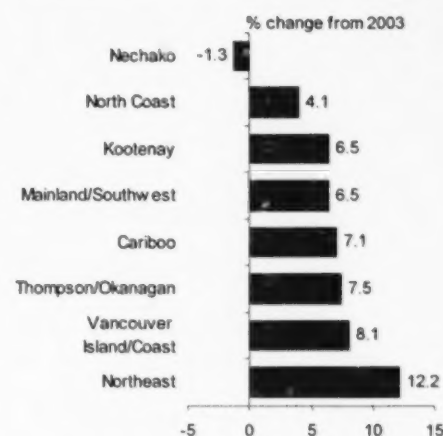
Data Source: BC Stats

### Northeast was the top performer in 2004

For the second consecutive year, the Northeast region outperformed the rest of the province in 2004, posting a growth rate of 12.2%. This follows a gain of 22.1% in 2003. Among regions, only Nechako (-1.3%) had less revenue in 2004

than in the previous year. The two most populated regions, Mainland/Southwest (+6.5%) and Vancouver Island/Coast (+8.1%) made significant gains in room revenues. Thompson-Okanagan (+7.5%) was also a major engine of revenue growth, as were Kootenay (+6.5%), Cariboo (+7.1%) and North Coast (+4.1%).

### Revenues up in all regions except Nechako



Data Source: BC Stats

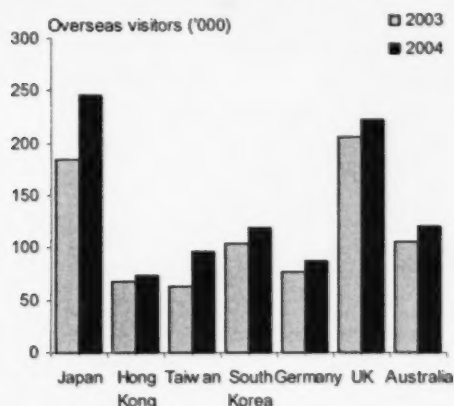
### Revenues up at all types of establishments

In 2004, hotels and motels outperformed vacation rentals and other types of accommodation properties (including bed and breakfast, fishing lodges and other types of short-term accommodation).

This is a reversal from 2003, when vacation rentals (+6.3%) and other miscellaneous accommodations (+9.9%) were the only establishments to post significant increases in revenues, proving themselves as important competitors to standard establishments. In 2004, vacation rentals saw a 4.1% increase, while accommodation properties, which include fishing lodges, bed and breakfasts and others, climbed 3.5%.

Top performers in 2004 were large to mid-sized hotels (76-250 rooms) generating almost 33% of the total revenue. Hotels with 151-250 rooms posted the highest gain (+9.8%), followed by mid-size hotels (76-150 rooms, +8.2%). Very large hotels (251+ rooms), which generated almost 30% of total revenue, posted a 6.8% gain.

## Large hotels rebounded after slumping in 2003



Data Source: BC Stats

## Visitor Entries rose for the first time since 2000

After dropping (-8.0%) in 2003, the number of travellers entering Canada via BC borders rose (+1.1%), increasing to over 7.4 million visitors in 2004. This was the first year-over-year increase since 2000.

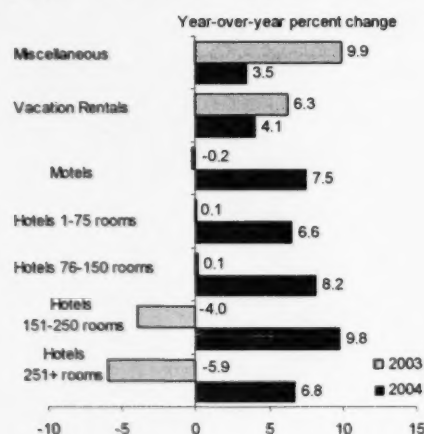
Although entries have been recovering from a three year long downturn it has been a slow climb up largely due to a drop in entries from the US (-1.8%) in 2004. US entries play a major role in the overall trend for BC because they make up over 80% of all travellers to the province. Over the last four years, the number of US same-day visits to Canada through BC border crossings has been declining, partly due to increased border security delays since September 2001 and more recently a stronger Canadian currency. Last year was no exception, as the number of same-day visitors dropped (-3.4%) to less than 2.5 million. The number of US visitors on overnight trips who enter Canada via British Columbia grew steadily until 2002.

However it has declined during the last two years. In 2004, overnight travel from the US edged down (-0.3%) to 3.5 million visitors.

## Overseas travel to BC recovered

There was substantially more travel to BC (+15.9%) from most overseas markets in 2004. Visits from Asia (+23.9%), Australia, New Zealand and the South Pacific (+15.6%) and Europe (+11.7%) increased significantly.

## BC's top 7 overseas markets posted gains



Data Source: Statistics Canada

In 2004, total travel to BC from all of the major overseas markets increased. Visitors from Taiwan (+52.5%) and Japan (+33.0%) led the way last year followed by Australia (+14.6%), South Korea (+13.7%) and Germany (+13.0%). The number of visitors from Hong Kong (+9.3%) and the UK (+8.1%) also went up.

## More Canadians returning home from overseas travels

The number of Canadians re-entering the country via BC increased (+8.0%) in 2004 for the second year in a row. Travel to overseas countries has had a very positive trend over the past decade, with the exception of 1999. Each year has seen more overseas returns, with the number of visitors rising 10.9% to over one million travellers in 2004.



Same-day car trips from Canada to the US had declined during most of the last decade, but the trend began to change in 2003, when same-day travel increased (+4.4%). In 2004 same-day cross-border excursions rose 7.7%, as Canadian shoppers and tourists took advantage of a strong dollar for the first time since 1993.

## Other Annual Indicators

In the hotel industry, the occupancy rate increased by 3.4 percentage points to nearly 62%, while average room prices rose 1.7% in 2004, to \$115.7. The peak occupancy occurred in December (about 64%, seasonally adjusted).

Not surprisingly, considering the upturn in visitor entries, air passenger traffic at Vancouver airport rose to over 15.7 million travellers, 9.8% higher than in 2003, with higher volumes on all types of flights. US trans-border (+3.9%), other international travel (+16.5%) and domestic traffic (+9.9%) all increased. Victoria airport welcomed 1.2 million travellers, a 5.7% increase from 2003.

There was a substantial rebound for other transportation indicators in the province in 2004. BC Ferries were busier, carrying more passengers (+2.8%) and vehicles (+3.3%). On the Coquihalla Highway, 4.3% more passenger vehicles passed through the tollbooths last year.

Employment in key tourism-related industries edged up (+0.2%) last year, led by increases in the air transport (+2.2%) and the arts, entertainment and recreation (+4.2%) industry, but offset by decreases in the accommodation sector (-4.8%). The food and beverage industry (0.0%) saw virtually no change.

In BC, restaurant and tavern receipts increased (+7.7%) in 2004 to over \$5.8 million.

The overall indication is that 2004 was a good year for the tourism sector in BC.

## Other Tourism Indicators (annual)

	2004	Change from 2003
<b>Hotel Industry</b>		
Occupancy rate	61.7	3.4 pp
Average room charge	115.68	1.70%
<i>(Pannell Kerr Forster)</i>		
<b>Airport Passengers</b>		
	(000s)	(%)
<b>Vancouver International Airport</b>		
Total traffic	15,725	9.8
US (trans-border)	3,964	3.9
Other International	3,775	16.5
Canada (domestic)	7,986	9.9
<i>(YVR)</i>		
<b>Victoria International Airport</b>		
Total traffic	1,250	5.7
<i>(Victoria Airport Authority)</i>		
<b>Transportation</b>		
	(000s)	(%)
<b>Coquihalla Highway</b>		
Passenger Vehicles	2,586	4.3
<i>(Ministry of Transportation &amp; Highways)</i>		
<b>BC Ferries</b>		
Vehicle Volume	8,532	3.3
Passenger Volume	21,953	2.8
<i>(BC Ferries)</i>		

Note: pp. percentage points

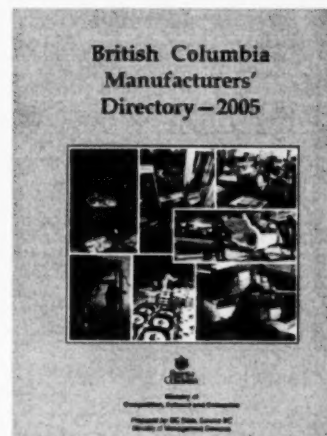
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<i>BC at a glance . . .</i>		
POPULATION (thousands)	Jan 1/05	% change on one year ago
BC	4,220.0	1.1
Canada	32,078.8	0.9
GDP and INCOME	2004	% change on one year ago
(BC - at market prices)		
Gross Domestic Product (GDP) (\$ millions)	156,481	7.5
GDP (\$ 1997 millions)	138,783	3.9
GDP (\$ 1997 per Capita)	33,072	2.8
Personal Disposable Income (\$ 1997 per Capita)	20,002	1.2
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Mar	3,581	-0.1
Merchandise Exports - Mar	2,605	-2.5
Retail Sales - Feb	4,104	2.9
CONSUMER PRICE INDEX	Mar '05	12-month avg % change
(all items - 1992=100)		
BC	124.1	2.2
Canada	126.5	2.1
LABOUR FORCE (thousands)	Apr '05	% change on prev. month
(seasonally adjusted)		
Labour Force - BC	2,251	0.1
Employed - BC	2,114	0.6
Unemployed - BC	137	-7.1
		Mar '05
Unemployment Rate - BC (percent)	6.1	6.5
Unemployment Rate - Canada (percent)	6.8	6.9
INTEREST RATES (percent)	May 11/05	May 12/04
Prime Business Rate	4.25	3.75
Conventional Mortgages - 1 year	4.90	4.55
- 5 year	6.05	6.40
US/CANADA EXCHANGE RATE	May 11/05	May 12/04
(avg. noon spot rate) Cdn \$	1.2475	1.3878
US \$ (reciprocal of the closing rate)	0.8014	0.7205
AVERAGE WEEKLY WAGE RATE	Apr '05	% change on one year ago
(industrial aggregate - dollars)		
BC	700.56	3.6
Canada	699.65	3.0
<b>SOURCES:</b>		
Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada		
Interest Rates: Bank of Canada Weekly Financial Statistics		
For latest Weekly Financial Statistics see <a href="http://www.bankofcanada.ca">www.bankofcanada.ca</a>		

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